44th annual report 1957

MELVILLE SHOE CORPORATION

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1957 Annual Report

MELVILLE SHOE CORPORATION

Executive Offices ■ 25 West 43rd Street, New York 36, N. Y. *Accounting and General Offices* ■ 44 Hammond Street, Worcester 10, Mass.

DIVISIONAL OFFICES

Manufacturing.....**J. F. McELWAIN COMPANY**

Factories: Nashua, N. H. (4) • Manchester, N. H. (6) • Athol, Mass. (1)

Offices: 103 Temple Street, Nashua, N. H. • 140 Federal Street, Boston 10, Mass.

Retailing.....**THOM McAN SHOE COMPANY**

Offices: 25 West 43rd Street, New York 36, N. Y.
44 Hammond Street, Worcester 10, Mass.

Warehouses: 44 Hammond Street, Worcester 10, Mass.
3 Entin Road, Clifton, N. J.

MILES SHOES

Executive Offices and Warehouse: 459 West 59th Street, New York 19, N. Y.

JOHN WARD MEN'S SHOES

Office: 26 East 42nd Street, New York 17, N. Y.

Warehouse: 44 Hammond Street, Worcester 10, Mass.

Counsel: DAVIS POLK WARDWELL SUNDERLAND & KIENDL
Auditors: PEAT, MARWICK, MITCHELL & CO.
Transfer Agent: IRVING TRUST COMPANY, *1 Wall Street, New York 15, N. Y.*
Registrar: CITY BANK FARMERS TRUST CO., *22 William Street, New York 15, N. Y.*

▶ *Annual Meeting of Stockholders will be held in New York on April 8, 1958*

MELVILLE SHOE CORPORATION

Directors:

WARD MELVILLE, *Chairman*
J. FRANKLIN McELWAIN, *Honorary Chairman*

FREDERIC ATTWOOD	JOSEPH L. MERRILL
ROBERT C. ERB	FRANCIS P. MURPHY
LESTER R. FALLON	SPENCER D. OETTINGER
JOEL E. FISHER	SEWARD M. PATERSON
FRANCIS H. GLEASON	MURRAY M. ROSENBERG
DAVID W. HERRMANN	J. BRENT WELLS

Executive Committee: MURRAY M. ROSENBERG, *Chairman*

FREDERIC ATTWOOD	J. FRANKLIN McELWAIN
ROBERT C. ERB	WARD MELVILLE
DAVID W. HERRMANN	JOSEPH L. MERRILL

Officers:

WARD MELVILLE, *Chairman of the Board*
ROBERT C. ERB, *President*
DAVID W. HERRMANN, *Executive Vice-President*
JOSEPH L. MERRILL, *Vice-President, Finance*
LESTER R. FALLON, *Vice-President*
FRANCIS H. GLEASON, *Vice-President*
WILLIAM H. MUCKLEY, *Vice-President, Hosiery Merchandising*
SPENCER D. OETTINGER, *Vice-President*
FRANCIS C. ROONEY, JR., *Vice-Pres., Men's & Boys' Footwear Merchandising*
J. FREDERICK ROSSELL, *Vice-President, Personnel*
LEONARD A. SHEA, *Vice-Pres., Gen. Mgr. of Thom McAn Gold Line Chain*
LAFAYETTE A. TREMBLAY, *Vice-Pres., Gen. Mgr. Thom McAn White Front Chain*
J. BRENT WELLS, *Vice-President, Sales Promotion and Public Relations*
H. ALBERT BRODIN, *Treasurer and Assistant Secretary*
DAVID B. MELVILLE, *Secretary*
FRANK SOKOL, *Assistant Treasurer and Controller*
RANDALL D. ESTEN, ARTHUR PAAR, BERTHA K. SMITH, HAROLD R. WICKHAM, *Assistant Secretaries*

Divisional Directors and Officers

	J. F. McElwain Co.	Miles Shoes	Thom McAn Shoe Co.	John Ward Men's Shoes
Directors:	J. FRANKLIN McELWAIN *Chairman*	MURRAY M. ROSENBERG *Chairman*	ROBERT C. ERB *Chairman*	WARD MELVILLE *Chairman*
	ROBERT C. ERB	KENNETH K. BERLAND	H. ALBERT BRODIN	H. ALBERT BRODIN
	RANDALL D. ESTEN	MEYER BOGORFF	LESTER R. FALLON	ROBERT C. ERB
	FRANCIS H. GLEASON	ROBERT C. ERB	ROY S. FOGAS	JOHN J. GAVIN
	JAMES C. MacKAY	ARTHUR B. GOLD	DAVID W. HERRMANN	DAVID B. MELVILLE
	WARD MELVILLE	DAVID W. HERRMANN	DAVID B. MELVILLE	
	JOSEPH L. MERRILL	SPENCER D. OETTINGER	WARD MELVILLE	
	FRANCIS P. MURPHY	ALFRED L. ROSE	LEONARD A. SHEA	
	ROBERT A. T. NELSON	MILES ROSENBERG	LAFAYETTE A. TREMBLAY	
	SEWARD M. PATERSON	SAMUEL H. ROSENBERG		
Officers:				
President	FRANCIS H. GLEASON	MURRAY M. ROSENBERG	LESTER R. FALLON	JOHN J. GAVIN
Exec. Vice-Pres.		SPENCER D. OETTINGER		
First Vice-Pres.		SAMUEL H. ROSENBERG		
Vice-Presidents	JAMES C. MacKAY	SYLVAN BANE	ROY S. FOGAS	DAVID B. MELVILLE
	FRANCIS P. MURPHY	KENNETH K. BERLAND	RICHARD H. McCARTHEY	
	ROBERT A. T. NELSON	MEYER BOGORFF	LEONARD A. SHEA	
	SEWARD M. PATERSON	JOSEPH B. FRIEDLANDER	LAFAYETTE A. TREMBLAY	
		ARTHUR B. GOLD		
		NICHOLAS G. KUHN		
		VINCENT STURNIOLO		
		RICHARD J. WARREN		
Treasurer	RANDALL D. ESTEN	KENNETH K. BERLAND	H. ALBERT BRODIN	H. ALBERT BRODIN
Asst. Treas.	AGNES H. FISCHER			
Secretary	RANDALL D. ESTEN	MILES ROSENBERG	DAVID B. MELVILLE	DAVID B. MELVILLE
Controller	CLINTON P. WALLACE			

MELVILLE REALTY COMPANY, Inc.

ARTHUR PAAR, *President*
ALBERT C. BLUNT, 3RD, *Vice-President*
DAVID W. HERRMANN, *Vice-President*
SPENCER D. OETTINGER, *Vice-Pres.*
LEONARD A. SHEA, *Vice-President*
JAMES O. THOMAS, *Vice-President*
H. ALBERT BRODIN, *Treas. & Asst. Secy.*
DAVID B. MELVILLE, *Secretary*
BERTHA K. SMITH - RICHARD J. WARREN *Assistant Secretaries*
FRANK SOKOL, *Assistant Treasurer*

Directors: ALBERT C. BLUNT, 3RD H. ALBERT BRODIN LESTER R. FALLON DAVID B. MELVILLE ARTHUR PAAR JAMES O. THOMAS

To the Stockholders of Melville Shoe Corporation:

The highlights of the operations of your company for 1957, together with a comparison with the previous year, will be found on page 5. Detailed comparative financial statements are included in this report.

Net sales of the company in 1957 were the highest in Melville's history. Net earnings, however, were somewhat less than in 1956 because of a reduction in the margin of profit caused primarily by a rapid rise in the cost of doing business.

Net sales in 1957 were $130,355,538, a gain of 3.4% over $126,124,405 in 1956. Store sales rose 5.2% to $122,076,438 from $115,987,762; factory and warehouse sales decreased 5.3% to $40,564,393 compared with $42,835,945; and sales to the armed forces — which tend to vary widely from year to year — were $3,816,693 compared with $5,328,203. Store sales for 1957, although at a new high record, were less than your management had anticipated.

Earnings before Federal taxes were $10,400,076 compared with $11,504,253 in 1956. Earnings after Federal taxes were $5,847,076, equal after preferred dividends to $1.86 per share of common stock. In 1956 earnings after taxes were $6,112,253, equal after preferred dividends to $1.95 a share on common stock. The company charged to depreciation on its property, plant, equipment and leasehold improvements $2,677,614, compared to $2,156,730 in 1956.

Earnings for 1957 made a reasonably favorable comparison with 1956. Nevertheless, your management considers the net earnings not entirely satisfactory since they declined 4.3% against an increase of 3.4% in net sales. Much of the contraction in profit margin was due to our accelerated program of opening new stores. During the year we had a net increase of 71 stores, to a total of 1,018 on December 31. The new stores immediately increased our sales total but, as is customary with new operations, did not make a proportionate contribution to net earnings. This is because of extraordinary nonrecurring expenses which are part and parcel of the opening of a new store and its operation for a period of approximately twelve to eighteen months. These special costs plus increases in other costs plus a highly competitive market combined to make impossible the attainment of the previous year's profit margin.

Cash dividends of $1.80 a share were paid on the common stock for 1957, the same amount paid for the past ten years. A stock dividend in preferred stock was paid also in 1955 to common stockholders. The company has paid dividends consecutively for 42 years, since it began to function as a corporation after being individually owned for 24 years. The company has never had an unprofitable year. Regular dividends were paid in 1957 on the two classes of preferred stock ($4.75 a share on the Series A and $4.00 a share on the Series B issues).

Expansion of our store chains continued to necessitate substantial cash outlays — for capital additions and improvements, for inventories and for the larger working funds necessary to finance a growing business. Capital expenditures in 1957 totaled $4,715,408. Inventories were increased $1,815,976, which was less than the amount required for the new store inventories. On December 31 cash equaled approximately total current liabilities including taxes, and we had no debt.

The ratio of current assets to current liabilities on December 31 was 3.07 to 1. Inventory was valued substantially below the prevailing market. Plant, equipment, property and capital improvements to leased property were carried at well under replacement value.

We wish to record our deep gratitude to all our co-workers — in retail stores, warehouses, factories, offices — for their cooperation in advancing the interests of the company. We wish also to extend our thanks to our stockholders, many of whom have taken a keen interest in Melville affairs and helped us with their suggestions for improving various phases of our operations and for increasing our sales by attracting more customers into our stores. We welcome and invite further suggestions.

Respectfully submitted,

Ward Melville

CHAIRMAN OF THE BOARD

Robert Ruh

PRESIDENT

March 14, 1958

Description of the Business

MELVILLE SHOE CORPORATION, founded in 1892 and incorporated in 1914, is the largest integrated shoe manufacturing-retailing organization in the United States. At the 1957 year-end it operated 1018 stores in 489 cities in 44 states and the District of Columbia; 11 factories in New Hampshire and Massachusetts; 3 warehouses, one each in Worcester, Massachusetts, Clifton, New Jersey and New York City.

Two executive offices are maintained in New York City, one for each of the principal retailing divisions, and one in Boston for the factories. A separate general office for the John Ward stores is maintained in New York City. The office in the Worcester warehouse serves as the record keeping and accounting center for all the Thom McAn stores and in the New York City warehouse a similar office is maintained for the Miles stores. The J. F. McElwain Company Division general offices are in Nashua, New Hampshire.

John Ward was the company's first chain of stores. At the end of 1957, 11 stores were in operation selling medium-priced men's shoes. These stores are located in New York, Newark, Philadelphia and Hempstead.

The first Thom McAn store was opened in 1922. At the end of 1957, 788 stores were in operation, 536 selling popular priced men's and boys' shoes and 252 selling women's and children's shoes in addition to men's and boys' shoes. Pair sales of the retail divisions are about equally divided between men's and boys' as compared to women's and children's footwear.

In 1939 Melville Shoe Corporation and J. F. McElwain Company, which had worked together in closest harmony for eighteen years, were merged. The J. F. McElwain Company operates as a division of Melville Shoe Corporation and manufactures Thom McAn men's, boys' and children's shoes. The manufacturing and distributing operations, although under one ownership, and although closely coordinated with merchandising, remain entirely separate in operation — one concentrating on production and the other on distribution.

As of October 1, 1952 Miles Shoes Incorporated, which was established in 1917, was consolidated with the company and is operated as a division of the Melville Shoe Corporation. This division's 219 stores are located principally in the East. Although they retail men's and boys' shoes, their sales are predominantly in women's and children's shoes and related merchandise. This companion division permits further flexibility in the distribution of shoes to areas or locations more suitable to the profitable sale of women's merchandise. These stores specialize in popular-priced lines of women's and children's shoes.

Highlights

Sales:	*1957*	*1956*	*Percent Change*
Stores	$122,076,438	$115,987,762	+ 5.2
Factory and Warehouse	40,564,393	42,835,945	— 5.3
To Armed Forces	3,816,693	5,328,203	—28.4
Total Sales	166,457,524	164,151,910	+ 1.4
Inter-Division Sales	36,101,986	38,027,505	— 5.1
Net Sales	130,355,538	126,124,405	+ 3.4
Earnings Before Federal Taxes	10,400,076	11,504,253	— 9.6
Net Earnings After Federal Taxes	5,847,076	6,112,253	— 4.3
Net Earnings Percent of Total Sales	3.51%	3.72%	
Net Earnings Percent of Net Sales	4.49%	4.85%	
Earnings Per Share of Common Stock	1.86	1.95	— 4.6
Dividends on Preferred Stock Series A	100,153	101,636	— 1.5
Dividends on Preferred Stock Series B	558,092	558,092	
Dividends on Common Stock	5,022,818	5,022,818	
Dividends Per Share of Common Stock	1.80	1.80	
Wages and Compensation	34,316,681	32,750,903	+ 4.8
Taxes — Federal, State and Local	6,961,474	7,644,654	— 8.9
Taxes — Per Share of Common Stock	2.49	2.74	— 8.9
Cash and Governments	10,688,007	16,121,586*	—33.7
Inventories	20,403,542	18,587,566	+ 9.8
Total Current Assets	33,383,910	31,698,364	+ 5.3
Total Current Liabilities	10,858,952	7,368,969	+47.4
Net Working Capital	22,524,958	24,329,395	— 7.4
Ratio of Working Capital	3.07	4.30	-28.6
Capital Additions and Improvements	4,715,408	4,066,177	+16.0
Depreciation	2,677,614	2,156,730	+24.2
Maintenance and Repairs	792,302	767,477	+ 3.2
Property, Plant, Equipment at Cost	29,609,488	25,923,596	+14.2
Accumulated Depreciation and Amortization	17,873,688	16,144,751	+10.7
Property, Plant, Equipment and Leasehold Improvements, Net	11,735,800	9,778,845	+20.0
Number of Stockholders	20,572	20,209	+ 1.8
Number of Employees	8,518	8,473	+ .5
Number of Stores	1,018	947	+ 7.5
Number of Shares of Preferred Stock	160,359	160,780	— .3
Number of Shares of Common Stock	2,790,458	2,790,458	

**Includes government securities purchased to cover tax liability*

MELVILLE SHOE CORPORATION

Statement of Consolidated Financial Condition as

· ASSETS ·

	1957	*1956*
Current assets:		
Cash	$10,688,007	$10,929,800
United States Government securities, at cost plus accrued interest.	—	5,191,786
Less deduction from liability for Federal taxes on income	—	5,191,786
	—	—
Accounts receivable, less provision for possible losses	1,126,154	1,342,700
Inventories (note 1)	20,403,542	18,587,566
Prepaid expenses	1,166,207	838,299
Total current assets	33,383,910	31,698,365
Property, plant, equipment and leasehold improvements, at cost	29,609,488	25,923,596
Less accumulated depreciation and amortization	17,873,688	16,144,751
	11,735,800	9,778,845
Investment in and advances to non-consolidated subsidiary (note 2)	805,000	845,000
Note receivable	250,000	250,000
	$46,174,710	$42,572,210

See accompanying notes to financial statements

and SUBSIDIARY COMPANIES

of December 31, 1957 with Comparative Figures for 1956

· LIABILITIES ·

	1957	*1956*
Current liabilities:		
Accounts payable	$ 3,384,676	$ 4,364,544
Accrued expenses	3,039,048	2,837,858
Federal taxes on income	4,435,228	5,358,353
Less United States Government securities	—	5,191,786
	4,435,228	166,567
Total current liabilities	10,858,952	7,368,969
Provision for self-insurance, retirement payments, etc. (note 3)	504,200	518,351
Stockholders' equity:		
Capital stock (note 6):		
Preferred stock, Series A, $4.75 dividend	2,083,600	2,125,700
Preferred stock, Series B, $4.00 dividend	13,952,300	13,952,300
Common stock (note 4)	11,902,628	11,899,873
	27,938,528	27,977,873
Balance of earnings retained in the business	6,873,030	6,707,017
Total stockholders' equity	34,811,558	34,684,890
Commitments and contingent liabilities (notes 2 and 7).		
	$46,174,710	$42,572,210

MELVILLE SHOE CORPORATION

and Subsidiary Companies

Statement of Consolidated Earnings and Balance of Consolidated Earnings Retained in the Business. Year ended December 31, 1957, with comparative figures for 1956

	1957	*1956*
Net sales	$130,355,538	$126,124,405
Other income	268,158	298,482
	130,623,696	126,422,887
Cost of sales and store operating, selling, general and administrative expenses (exclusive of following deductions)	117,101,129	112,185,193
	13,522,567	14,237,694
Deduct:		
Depreciation and amortization (note 5)	2,677,614	2,156,730
Employees' retirement plans (note 3)	296,894	571,511
Other charges	147,983	5,200
	3,122,491	2,733,441
	10,400,076	11,504,253
Provision for Federal taxes on income	4,553,000	5,392,000
Net earnings (note 5)	5,847,076	6,112,253
Balance of earnings retained in the business at beginning of year	6,707,017	6,277,310
	12,554,093	12,389,563
Deduct:		
Cash dividends paid:		
Preferred stock, Series A, $4.75 a share	100,153	101,636
Preferred stock, Series B, $4.00 a share	558,092	558,092
Common stock, $1.80 a share	5,022,818	5,022,818
	5,681,063	5,682,546
Balance of earnings retained in the business at end of year	$ 6,873,030	$ 6,707,017

Notes to Financial Statements

1. Approximately 31% of the consolidated inventories are valued at last-in, first-out (Lifo) cost, which is substantially below market. The remaining portion of inventories are valued at the lower of cost or market, based mainly on the retail inventory method.

The Company adopted the lower of cost or market under the retail inventory method for valuing the balance of the hosiery inventories as of December 31, 1957; the effect of the change from the Lifo basis, on net earnings (after providing for the deferred tax payable) was not material. Permission to make the change in determining taxable income for 1958 was recently granted by the Internal Revenue Service.

2. The investment in and advances to a non-consolidated subsidiary represent the ownership of all outstanding common stock in the amount of $300,000 and advances of $505,000. There is outstanding and held by others 150 shares ($15,000) of 5% voting preferred stock, constituting 37½% of the voting control. In 1955 the subsidiary constructed a warehouse and office building which it financed by means of a $3,000,000 3½% note, payable in quarterly installments ranging from $16,000 to $47,000, with interest, maturing in 1984. Payment of the amount outstanding at December 31, 1957, $2,845,000, is unconditionally guaranteed by Melville Shoe Corporation. Approximately 50% of the space is rented by Miles Shoes Division. The underlying net book value pertaining to the common stock and advances at December 31, 1957, based on unaudited financial statements, amounted to approximately $840,000.

3. Pension costs charged to earnings in 1957 include $289,794 in respect of the unfunded factory employees' plan. This plan is part of a union agreement which is subject to automatic renewal

annually, unless notice is given by either party, though the plan itself is not subject to negotiation during an initial five-year period ending in 1958. It is intended to make annual provision sufficient during the five-year period to cover pensions for life to factory employees expected to retire during the period. The liability for such pensions at the end of the five-year period is estimated at $775,000 (net of Federal income taxes) of which $525,000 has been provided in the accounts.

Miles Shoes Division has two non-contributory pension plans for its non-union employees which may be modified or terminated at any time except as to payments due to employees formally retired under the plans. With respect to the 1955 plan for store employees, the company will provide reserves (net of Federal income taxes) sufficient to cover pensions for life at the time of retirement of each employee. To date no employees have retired under this plan. With respect to the plan for non-store employees which became effective January 1, 1957, the company will provide $35,500 (net of Federal income taxes) by December 31, 1962, to cover pensions for life for seven employees expected to retire during the five-year period. Pension costs charged to earnings include $7,100 with respect to this plan.

The Company also has a fully-funded trusteed plan which was instituted in 1944. No contribution was required to be made under this plan in 1957.

4. In April 1956 the Board of Directors granted restricted stock options to the president and the executive vice-president to purchase 10,000 shares each of common stock of the Corporation at a price of $31⅝ per share, which was the market value on the date the options were granted. Each of the options, which expire on the earlier of March 31, 1966 or within three months after the termination of employment, are exercisable cumulatively at the rate of 2,000 shares per year. None of the options was exercised during the year.

5. Depreciation charged to earnings is less than depreciation claimed as a deduction on the income tax returns of the Company and its subsidiaries. The difference results principally from calculating depreciation for tax purposes on the accelerated method as allowed under the Internal Revenue Code of 1954 as compared with charging straight-line depreciation to earnings. If the same amount of depreciation charged to earnings had been claimed for tax purposes, the provision for taxes for the years 1957 and 1956 would have been increased in the approximate amounts of $272,000 and $209,000 respectively with a similar decrease in net earnings.

6. Capital stock consists of the following:

	December 31	
	1957	*1956*
Cumulative preferred stock, par value $100 each, issuable in series:		
Authorized 250,000 shares.		
Issued and outstanding:		
Series A, $4.75 dividend (redeemable at $100 plus accrued dividends), 1957—21,257 shares less 421 shares acquired for cancellation under the sinking fund provision	$ 2,083,600	$ 2,125,700
Series B, $4.00 dividend, 139,523 shares (issued as a dividend on common stock, redeemable at amounts ranging from $103 from December 1, 1960 to $100 after December 1, 1966, plus accrued dividends in each case)	13,952,300	13,952,300
	16,035,900	16,078,000
Common stock, par value $1 each. Authorized, 3,500,000 shares; issued and outstanding, 2,790,458 shares	11.902.628	11.899,873
	$27,938,528	$27,977,873

Additional capital amounting to $9,066,897, which arose from conversion of 4% preferred shares into common shares prior to redemption of the 4% preferred issue in February 1950, is included in common stock capital in accordance with statutory requirements. Common stock capital also includes $41,692 capital arising from purchase by Miles Shoes Incorporated of its preferred shares under par value before consolidation, September 30, 1952 and $3,581 resulting from the purchase in 1956 and 1957 for retirement of Series A preferred stock at less than par value.

7. At December 31, 1957 the total minimum annual fixed rentals payable under leases expiring after five years was approximately $4,320,000 plus real estate taxes, insurance, etc. under certain leases. Leases covering about 85% of this amount expire on various dates within the next 15 years.

PEAT, MARWICK, MITCHELL & CO.
ACCOUNTANTS AND AUDITORS
SEVENTY PINE STREET
NEW YORK 5, N. Y.

Accountants' Report

To the Board of Directors and Stockholders of Melville Shoe Corporation:

We have examined the statement of consolidated financial condition of Melville Shoe Corporation and subsidiary companies as of December 31, 1957 and the related statement of earnings and balance of earnings retained in the business for the year then ended. Our examination, which included all divisions and companies except the Miles Shoes division and related subsidiaries (which are of major importance), was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As regards the Miles Shoes division and related subsidiaries, the accounts of which are incorporated in the accompanying consolidated financial statements, we have been furnished with the report of S. D. Leidesdorf & Co., Certified Public Accountants.

In our opinion, based on our examination and on the report referred to in the paragraph above, the accompanying statement of consolidated financial condition and statement of consolidated earnings and balance of consolidated earnings retained in the business present fairly the financial position of Melville Shoe Corporation and subsidiary companies at December 31, 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y., February 26, 1958

A Brief Review of 1957

OPERATIONS IN GENERAL

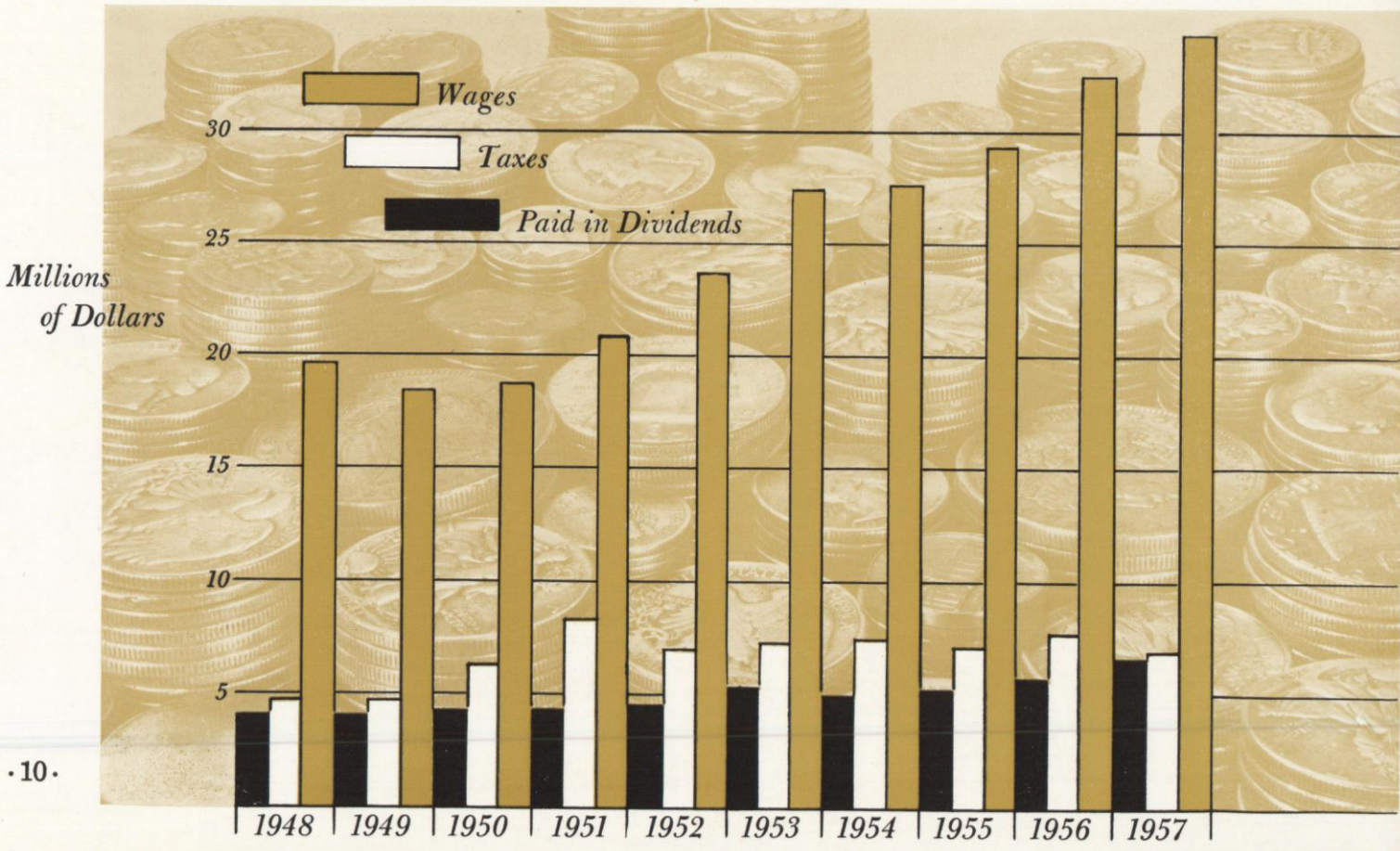
During the year, Melville Shoe Corporation opened 89 new units and remodeled, enlarged or otherwise improved 47 stores. Of the total of 89 new stores, 84 were family type stores located largely in suburban shopping centers or along busy highways. In a further effort to improve the company's operations, 12 stores were replaced by new stores in different locations in the same communities, and 18 were closed. The company has met the increasing demand for ease in shopping and parking through the opening of stores, with their own parking facilities, along traffic arteries in various sections of the country. The company plans to open more of them in similar places.

At the year end the company operated 1,018 stores: 536 Thom McAn stores selling men's and boys' shoes only, 252 Thom McAn stores selling shoes for men, women and children, 219 Miles stores catering to the entire family, and 11 John Ward stores with men's shoes in the medium upper price bracket.

The Miles chain represents the largest family shoe store operation in the Middle Atlantic states, and has embarked on a program in both shopping center and main street locations that is taking it into the midwest and as far south as Florida. This program is expected to be continued. The Miles stores, with their emphasis on feminine and juvenile fashion footwear, are well adapted to both kinds of locations in which the stores are being opened.

From our warehouse in Clifton, New Jersey, women's and girls' shoes and related merchandise are shipped to the Thom McAn family stores throughout the country. Men's and boys' shoes for the Thom McAn and John Ward stores continue to be shipped from the warehouse in Worcester, Massachusetts, and all footwear and supplies for the Miles stores from the Miles headquarters at 59th Street and 10th Avenue in New York. Each of these warehouses maintains the records necessary for the proper operation and control of inventory and merchandise shipments.

Our research efforts on new types of construction for shoes, new styles, new lasts and new leathers continued apace. Popularity of light-weight flexible men's shoes recently imported from Italy has made necessary a change in the texture and finish of leathers in men's shoes, which had not varied much in a number of years. During the year we have instituted a cement process for the manufacture of these light-weight shoes.



FIVE-YEAR COMPARATIVE INCOME DATA

Year	Total Sales	Net Sales	Net Income	% of Net Income to Total Sales	% of Net Income to Net Sales	Preferred Dividends — Times Earned	Income Available for Common Stock	Per Share(2) Earnings	Per Share(2) Dividends Paid
1957	$166,457,524	$130,355,538	$5,847,076	3.51	4.49	$8.88	$5,188,831	$1.86	$1.80
1956	164,151,910	126,124,405	6,112,253	3.72	4.85	9.26	5,452,525	1.95	1.80
1955	151,112,929	114,495,706	5,885,692(1)	3.89	5.14	8.92	5,225,964	1.87	1.60
1954	143,349,885	107,866,310	5,979,952	4.17	5.54	9.06	5,320,224	1.91	1.60
1953	145,164,638	108,870,972	5,732,798	3.95	5.27	8.69	5,073,070	1.82	1.60

(1) Excluding non-recurring real estate profit of 17¢ per share

(2) On present capitalization adjusted to give effect to the tax free split-up of common into preferred and common. A stock dividend of 1/20th ($5 par value) of a share of Class B 4% preferred stock was issued in December, 1955 on each share of common stock. Stockholders were advised that the adjusted cost of the common stock was 87.165% of the original cost of the common stock. The annual dividend on this tax free preferred stock dividend was the equivalent of 20¢ a share on the common stock. If present capitalization had been in effect in 1953, 1954 and 1955 the amount of dividends paid on common stock would have been equivalent to $1.60 per share on the common and 20¢ on the preferred stock.

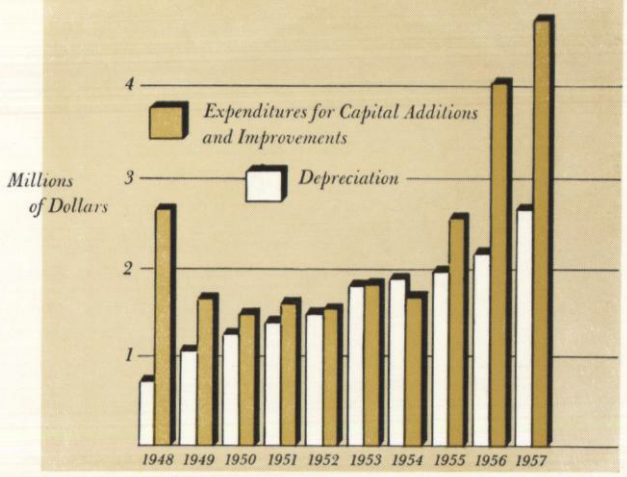
DISTRIBUTION OF SALES REVENUE

The distribution of the company's receipts from sales is as shown below:

	1957	*1956*
The company received from the sale of its products	$130,355,538	$126,124,405
The company paid for materials, merchandise and all expenses, exclusive of taxes and other amounts paid to or for the benefit of employees	83,230,307	79,616,595
Remainder	47,125,231	46,507,810
This was divided as follows:		
Wages and compensation	34,316,681*	32,750,903
Taxes	6,961,474	7,644,654
Paid to stockholders or retained in the business	5,847,076	6,112,253

In 1957 after payment for materials, merchandise, taxes and other necessary expenses, 85% of the balance went to the company's 8,518 employees and 15% was paid to the 20,572 stockholders or retained in the business to provide for expansion.

**The highest in the history of the company*



ADVERTISING AND PUBLIC RELATIONS

The way in which the company has met the promotion problems arising from its rapid expansion of family shoe stores has received recognition in marketing circles. The September 20, 1957 issue of PRINTERS' INK, for example, carried a feature article, "How to Sell the Family — Thom McAn Style," which described most of the year's advertising and public relations objectives and activities for our largest retail division, Thom McAn. Pointing out that changing living and buying patterns challenge every marketer, the article told how Thom McAn is meeting these changes with new styling, new stores and advertising "that's fast and local as news."

The coordinated advertising and public relations program continued to pursue the twin objectives of reinforcing a favorable brand image and stimulating immediate store traffic and sales. With the increasing number of family shoe stores it has been possible to accelerate promotion of footwear for all members of the family, culminating with a 1957 Christmas gift campaign carried in more newspapers than the company has ever used for one advertising series. New departures — such as intensive radio spot campaigns in important markets and successful test newspaper advertising of high fashion women's shoes near New York, reflected the dispersion of outlets in the suburbs and a broader coverage of metropolitan areas through these and downtown stores.

Typical of the coordination of public relations activities with the family approach, our major scholarship program, formerly the Thom McAn Success Awards, was changed to the Thom McAn Leadership Awards with the inclusion of high school girls and a duplicate set of scholarships and national awards for young women students. At year's end more than 800 high schools across the country had agreed to submit candidates. At the corporate level as well as at the grass roots store community level, planned events, publicity and other communications were employed to inform the public and build goodwill for the company and its products. Exemplifying the company's civic interest, Chairman Ward Melville's address on public school problems, which are problems of taxation as well as of education, was reprinted twice as a result of requests from all parts of the country for thousands of copies, and numerous newspaper editorials quoted this analysis of a national problem.

OUR PEOPLE

Personnel relations within the company have been entirely satisfactory, with no strike taking place, and an enthusiastic and loyal group of workers. Management has continued to endeavor to provide good working conditions with fair competitive compensation and a considerate attitude toward all of its personnel in all divisions of the business. In today's competitive conditions, this is recognized as a particularly important factor in the success of the company. We are continually striving to improve the economic position of our workers while trying to offer our customers outstanding values at attractive prices.

During the year two officers of the company with long years of service retired under the Employees' Retirement Plan of Melville Shoe Corporation. Mr. John B. Fitch, with 34 years' service, was a vice president in charge of Personnel Relations, and Mr. Joel Ellis Fisher, with 28 years' service, was the Secretary of the Corporation. The duties which they formerly had have partly been distributed among other officers of the company, but in addition we have elected as Vice President in Charge of Personnel, Mr. J. Frederick Rossell, who has been head of our personnel office and has had 29 years' service with the company. The new Corporation Secretary is Mr. David B. Melville, who came with the Corporation in 1951, starting as a salesman in one of our stores on the Pacific Coast.

STOCKHOLDERS

The company had approximately 20,572 stockholders as of the year end. From time to time in the past we have made surveys of stockholders, and have found little variance in the following statistics: Of the total number, about 85% own 100 shares or less, and 99% own less than 1,000 shares. These stockholders live in all States of the Union, in the District of Columbia, and in approximately 15 foreign countries.

At our last annual meeting we were pleased to have represented in person or by proxy 86.8% of the shares entitled to be voted. Your management is happy to have such a large percentage represented, and strongly urges all stockholders to exercise their right to vote. Proxies are being solicited for the annual meeting which is to be held on Tuesday, April 8, 1958, at the office of the company, 25 West 43 St., New York. Management is always glad to receive comments from any stockholder and welcomes an opportunity to provide more information concerning any part of our operations.

Statistical Record For Twenty-Five Years — *1933-1957*

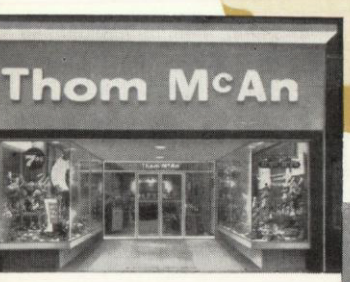
Year	Stores at Year-end	Store Sales	Factory and Warehouse Sales	Total Sales	Net Sales	Wages and Compensation	Taxes-All	Earnings before Federal Income and Excess Profits Taxes	Earnings After Taxes	Dividends Paid
1933	535	$21,112,783	$10,631,665	$31,744,448	$22,499,867	$5,367,621	$ 592,982	$2,345,562	$2,069,059	$ 930,139
1934	588	27,215,927	14,398,684	41,614,611	28,326,776	6,834,385	770,788	3,072,171	2,634,265	1,243,747
1935	609	30,355,524	16,947,267	47,302,791	31,420,675	7,765,484	871,106	3,477,078	3,001,984	1,744,450
1936	651	35,300,758	19,578,204	54,878,962	36,530,113	8,630,006	1,283,826	4,282,927	3,534,897	2,768,580
1937	690	38,155,438	22,199,736	60,355,174	39,377,533	9,976,537	1,335,660	3,344,873	2,801,695	2,896,674
1938	677	36,042,285	19,053,609	55,095,894	37,596,604	9,390,127	1,364,004	2,808,403	2,295,534	1,883,275
1939	663	38,326,853	21,721,707	60,048,560	40,873,780	9,913,010	1,625,112	3,873,292	3,141,161	2,404,514
1940	666	40,260,777	22,446,029	62,706,806	42,596,249	9,847,880	1,921,556	4,339,218	3,210,961	2,554,019
1941	659	46,653,910	28,588,553	75,242,463	51,359,632	11,982,680	2,789,468	4,753,348	2,924,275	2,542,354
1942	579	51,644,040	36,982,550	88,626,590	64,028,487	13,990,280	5,714,719	7,478,200	2,582,863	2,315,965
1943	556	39,238,096	29,288,336	68,526,432	51,564,039	11,778,538	2,985,542	4,674,122	2,452,069	2,315,137
1944	549	37,051,163	33,238,881	70,290,044	54,367,141	13,018,344	2,545,030	3,884,527	2,192,797	2,315,104
1945	536	41,216,792	34,956,285	76,173,077	56,846,202	14,038,031	3,008,300	4,631,577	2,400,907	2,309,018
1946	519	60,213,552	35,072,592	95,286,144	63,835,344	15,728,749	3,397,749	6,586,968	3,895,968	2,605,374
1947	519	71,992,773	48,566,594	120,559,367	77,145,950	18,747,576	4,971,733	9,437,690	5,419,690	3,686,212
1948	547	75,568,381	48,446,862	124,015,243	83,593,261	19,842,748	4,919,880	9,655,816	5,907,816	4,039,401
1949	560	71,864,212	43,292,986	115,157,198	78,028,920	19,258,854	4,640,645	9,099,339	5,538,010	4,094,286
1950	560	70,886,795	42,978,136	113,864,931	77,080,780	18,924,759	5,653,838	9,630,686	5,188,836	4,213,027
1951	577	71,075,477	54,847,259	125,922,736	92,740,699	21,052,294	7,228,010	10,456,529	4,669,369	4,212,803
1952	739	77,362,760	47,104,106	124,466,866	90,384,955	23,584,510	6,631,069	9,780,990	4,712,710	4,449,190
1953	794	99,551,584	45,613,054	145,164,638	108,870,972	27,327,473	6,962,746	10,933,798	5,732,798	5,124,943
1954	834	100,839,255	42,510,630	143,349,885	107,866,310	27,608,280	7,141,003	11,224,952	5,979,952	5,124,946
1955	886	106,721,861	44,391,068	151,112,929	114,495,706	29,774,594	7,510,863	11,241,329 (1)	5,885,692 (1)	5,124,946
1956	947	115,987,762	48,164,148	164,151,910	126,124,405	32,750,903	7,644,654	11,504,253	6,112,253	5,682,546
1957	1,018	122,076,438	44,381,086	166,457,524	130,355,538	34,316,681	6,961,474	10,400,076	5,847,076	5,681,063

(1) Excluding non-recurring real estate profit.

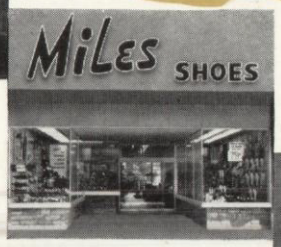
J. F. McElwain Company figures are included in all years; Miles Shoes figures are included from date of consolidation, Oct. 1, 1952.

STORES of MELVILLE SHOE CORPORATION

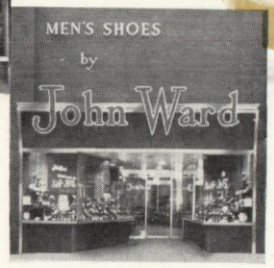
as of December 31, 1957



. . . 788 STORES. *In 448 Cities in 44 States and the District of Columbia. Leased Departments (*), Agency (**)*



. . . 219 STORES. *In 128 Cities in 13 States and the District of Columbia*



. . . 11 STORES.
Newark • New York (8) • Philadelphia • Hempstead

THOM McAN STORES:

Alabama (11)
Birmingham (3)
Decatur
Florence
Huntsville
Mobile
Montgomery (2)
Prichard
Tuscaloosa

Arizona (5)
Mesa
Phoenix (3)
Tucson

Arkansas (2)
Fort Smith
Little Rock

California (47)
Alhambra
Bakersfield
Compton
Daly City
Fresno
Glendale
Hayward
Hollywood
Huntington Park
Lakewood
Long Beach
Los Angeles (3)
Modesto
Napa
National City
North Hollywood
Norwalk
Oakland (2)
Palo Alto
Pasadena
Pomona (2)
Redwood City
Richmond
Riverside
Sacramento (2)
San Bernardino
San Diego
San Francisco (4)
San Jose (2)
San Leandro
San Mateo (2)
Santa Barbara
Santa Monica
Santa Rosa
Stockton
Van Nuys
West Covina

Colorado (4)
Denver (3)
Lakewood

Connecticut (23)
Bridgeport (2)
Bristol
Danbury
Derby
East Hartford
Hamden
Hartford (3)
Meriden
Middletown
New Britain
New Haven (2)
New London
Norwich
South Manchester
South Norwalk
Stamford
Torrington**
Waterbury (2)

Delaware (1)
Wilmington

District of Columbia (5)
Washington (5)

Florida (36)
Bradenton
Coral Gables
Daytona Beach
Fort Lauderdale (2)
Gainesville
Homestead
Jacksonville (5)
Key West
Lakeland (2)
Madeira Beach
Miami (5)
Miami Beach
Orlando (2)
Panama City
Pensacola (2)
Sarasota
St. Petersburg
Tallahassee
Tampa (4)
West Palm Beach
Winter Haven

Georgia (11)
Albany
Atlanta (3)
Augusta (2)
Columbus (2)
Macon
Rome
Savannah

Idaho (1)
Boise

Illinois (38)
Aurora
Berwyn
Bloomington
Blue Island
Chicago (21)
Chicago Heights
Danville
Decatur
Galesburg
Hillside
Joliet
Kankakee
Moline
Peoria
Quincy
Rockford
Rock Island
Springfield

Indiana (17)
Anderson
Elkhart
Evansville
Fort Wayne (2)
Gary
Hammond (2)
Indianapolis (4)
Lafayette
Marion
Muncie
Richmond
South Bend

Iowa (2)
Davenport
Des Moines

Kansas (1)
Wichita

Kentucky (10)
Ashland*
Covington
Lexington
Louisville (4)
Newport
Owensboro
Paducah

Louisiana (12)
Alexandria
Baton Rouge
Bossier City
Lafayette
Lake Charles
Metairie
Monroe
New Orleans (4)
Shreveport

Maine (2)
Lewiston
Portland

Maryland (16)
Baltimore (10)
College Park
Cumberland
Easton
Frederick
Hagerstown
Silver Spring

Massachusetts (44)
Attleboro
Boston (11)
Allston
Boston (3)
Dorchester (2)
East Boston
Hyde Park
Roslindale
Roxbury
South Boston
Brockton
Cambridge
Chelsea
Everett
Fall River
Fitchburg
Framingham
Gloucester
Haverhill
Holyoke
Lawrence
Lowell
Lynn (2)
Malden
Medford
New Bedford (2)
Norwood**
Pittsfield
Quincy
Salem
Somerville
Springfield (2)
Stoneham
Wakefield

Waltham
Woburn
Worcester (3)

Michigan (39)

Adrian
Ann Arbor
Battle Creek
Bay City
Dearborn
Detroit (14)
Ferndale
Flint
Grand Rapids
Hamtramck
Highland Park
Jackson
Kalamazoo
Lansing (2)
Lincoln Park
Monroe
Muskegon
Pontiac (2)
Port Huron
River Rouge
Saginaw
West Dearborn
Wyandotte (2)

Minnesota (3)

Duluth
Minneapolis
St. Paul

Mississippi (7)

Biloxi*
Greenville
Hattiesburg
Jackson
Meridian
Natchez
Vicksburg

Missouri (20)

Kansas City (5)
Kirkwood
Maplewood
St. Joseph
St. Louis (12)

Montana (1)

Great Falls

Nebraska (3)

Lincoln
Omaha (2)

New Hampshire (2)

Manchester
Portsmouth

Continued on page 16

Drive-in family stores, such as this one in Norwalk, Calif., are a natural result of the times. With all America on the move – mainly by automobile – salon-type stores on heavily travelled highways give added impetus to family shopping "en route."

New Jersey (41)
Asbury Park
Atlantic City
Bayonne
Bergenfield
Bloomfield
Camden (2)
Dover
Elizabeth
Hackensack (2)
Harrison
Hoboken
Irvington
Jersey City (4)
Middletown
Morristown
Newark (6)
New Brunswick
Orange
Paramus (2)
Passaic
Paterson
Perth Amboy
Plainfield
Ramsey
Red Bank
Somerville
Trenton
Union
Union City
West New York

New Mexico (1)
Albuquerque

New York (144)
Albany (3)
Amsterdam
Babylon
Bay Shore
Binghamton
Buffalo (7)
Cheektowaga
Clarence
Dewitt
Elmira
Endicott
Freeport
Glens Falls
Hempstead (2)
Hicksville
Huntington
Ithaca
Jamestown
Kenmore
Lake Success
Levittown
Lockport
Lynbrook
Manhasset
Massapequa Park
Mount Vernon
Newburgh
New Hartford
New Rochelle
New York (86)
Manhattan (19)
Bronx (15)
Brooklyn (29)
Queens (20)
Richmond (3)
Niagara Falls (2)
Patchogue
Peekskill
Plainview
Port Chester
Poughkeepsie
Rochester (2)
Rockville Centre
Schenectady
Syracuse (2)
Troy
Utica (2)
Valley Stream
White Plains
Yonkers (2)

North Carolina (10)
Asheville
Charlotte (2)
Durham
Greensboro
High Point
Jacksonville
Raleigh
Wilmington
Winston-Salem

Ohio (61)
Akron
Alliance
Ashtabula
Canton (2)
Cincinnati (4)
Cleveland (13)
Columbus (7)
Cuyahoga Falls
Dayton (5)
Euclid
Hamilton (2)
Lima
Lorain (2)
Mansfield (2)
Maple Heights
Middletown
Norwood
Portsmouth
Sandusky
Springfield (2)
Steubenville
Tallmadge
Toledo (4)
Warren (2)
Youngstown (2)
Zanesville

Oklahoma (2)
Oklahoma City
Tulsa

Oregon (2)
Portland
Salem

Pennsylvania (54)
Allentown
Altoona
Baden
Beaver Falls
Braddock
Bridgeville
Chester
Erie (2)
Greensburg
Harrisburg
Hazelton
Homestead
Johnstown
Lemoyne
Levittown
McKeesport
Monroeville
Natrona Heights
New Castle
New Kensington
Philadelphia (19)
Pittsburgh (4)
Pottsville
Reading
Scranton
Sharon
Shillington
Uniontown
Upper Darby
Wilkes-Barre
York (2)

Rhode Island (8)
Newport
Pawtucket
Providence (3)
Westerly
West Warwick
Woonsocket

South Carolina (5)
Charleston
Columbia
Florence
Greenville
Spartanburg

Tennessee (8)
Chattanooga
Johnson City
Knoxville
Madison
Memphis (3)
Nashville

Texas (53)
Abilene
Amarillo
Austin (2)
Baytown
Beaumont (2)
Brownsville
Corpus Christi (3)
Dallas (6)
El Paso
Fort Worth (3)
Galveston
Houston (11) (1*)
Laredo (2)
Lubbock
McAllen
Midland
Pasadena
Port Arthur (2)
San Angelo
San Antonio (7)
Tyler
Victoria
Waco
Wichita Falls

Utah (4)
Ogden
Provo
Salt Lake City (2)

Vermont (1)
Burlington

Virginia (13)
Arlington
Falls Church
Harrisonburg
Lynchburg
New Alexandria
Newport News
Norfolk (2)
Portsmouth
Richmond (2)
Roanoke
Warwick

Washington (4)
Everett
Seattle
Spokane
Tacoma

West Virginia (5)
Charleston
Clarksburg
Huntington
Parkersburg
Wheeling

Wisconsin (9)
Appleton
Madison
Milwaukee (4)
Oshkosh
Sheboygan
West Allis

MILES STORES:

Connecticut (7)
Bridgeport
Danbury
East Hartford
Hamden
Meriden
South Norwalk
Stamford

Delaware (2)
Newark
Wilmington

District of Columbia (1)
Washington

Florida (1)
West Palm Beach

Maryland (6)
Baltimore
Dundalk
Essex
Glen Burnie
Laurel
Rockville

Massachusetts (1)
Pittsfield

New Jersey (46)
Asbury Park
Bayonne
Belleville
Bergenfield
Bloomfield
Camden
Clifton
Elizabeth
Englewood
Fairlawn
Hackensack
Hoboken
Irvington
Jersey City (5)
Linden
Long Branch
Morristown
Newark (5)
New Brunswick
North Brunswick
Orange
Paramus
Passaic
Paterson
Perth Amboy
Plainfield
Rahway
Ramsey
Red Bank
Somerville
Toms River
Trenton (2)
Union
Union City
Vineland
West New York
Westwood

New York (122)
Albany (2)
Amsterdam
Babylon
Bay Shore
Delmar
East Syracuse
Eggertsville
Elmira
Franklin Square
Freeport
Glen Cove
Glens Falls
Gloversville
Great Neck
Hempstead (2)
Hicksville
Huntington
Kingston
Lake Success
Latham
Levittown
Lynbrook
Mount Vernon
Middletown
Newburgh (2)
New Rochelle
New York (76)
Manhattan (17)
Bronx (15)
Brooklyn (21)
Queens (21)
Richmond (2)
Niagara Falls
Patchogue
Peekskill
Plainview
Port Chester
Poughkeepsie
Riverhead
Rochester
Schenectady
Troy
Utica
Valley Stream
Wantagh
West Seneca
White Plains
Yonkers (2)

North Carolina (5)
Asheville
Charlotte
Hickory
Wilson
Winston-Salem

Ohio (8)
Cleveland (2)
Columbus
Euclid
Maple Heights
Medina
Middleburg Heights
Willowick

Pennsylvania (13)
Easton
Erie
Havertown
Meadville
Norristown
Philadelphia (3)
Pottsville
Scranton
Wilkes-Barre
Williamsport
York

South Carolina (2)
Florence
Greenville

Virginia (4)
Arlington
Harrisonburg
Lynchburg
Richmond

West Virginia (1)
Wheeling

44th *annual report—1957*

MELVILLE SHOE CORPORATION